

Business

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Global growth concerns are mounting

Stocks are sideways this year with growth indexes up a bit and value indexes down a bit. Even that may be overstating what's happening to most stocks, however.

Almost a third of the S&P 1500 stocks are already down 20 percent or more from their yearly high.

Investors are no longer shrugging off bad news. China's economy, the world's second largest, is clearly slowing and that will impact economies around the globe.



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Market Pulse

Janet Yellen seems anxious to raise rates.

Some high-profile companies reported disappointing earnings (Apple, Microsoft and IBM, for example).

Until recently, the take-away as far as investors were concerned from the real and potentially bad news was that it was all trumped by the yields, dividend growth and capital gains potential.

Some investors no longer see it that way. They feel the risks have risen and worry about rising rates. I'm not in that camp. I expect rates will still be low two or three years from now.

Instead of fearing rising rates, investors should focus on the sell-off in commodities of all kinds and its impact on GDP and profit growth.

Oil's daily moves make headlines and we will soon see the effects at the pump, but prices for corn, wheat, cotton, sugar, gold, silver, natural gas liquids, industrial metals and copper have all sold off.

The Bloomberg Commodity Index hasn't been this low since 2003. Those declines are just the opposite of what one would expect if the global economy were gathering momentum and about to accelerate. They are hard to ignore.

China is no longer the engine of global growth and won't be for the foreseeable future. Commodity exporting nations — Australia, Indonesia, Brazil and Canada, for example — are suffering. Look at their currencies, now at levels not seen in years.

Investors are connecting the dots and concluding that the global growth outlook is not as rosy as it appeared a month or two ago.

On those days when stock selling is intense, however, keep in mind this was expected (see Summer Doldrums on June 11).

One problem with the stock market is the calendar. The best entry points often come in the fall season. Patience is in order.

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